

Rental Property: What You Can Deduct and What to Keep

A plain guide for owners of one or a few rentals — long-term tenants or short stays.

Rent you take in is income. Many of the costs of renting the place out can be deducted. The hard part is knowing which costs count, and keeping the papers that back them up.

1. COSTS YOU CAN DEDUCT EACH YEAR

- ☐ Mortgage interest on the rental loan
- ☐ Property tax on the rental
- ☐ Insurance for the rental
- ☐ Repairs and upkeep
- ☐ Cleaning, lawn care, and pest control
- ☐ Utilities you pay for
- ☐ HOA or condo dues
- ☐ Ads you run to find renters
- ☐ Pay for a manager, an agent, or a handyman
- ☐ Legal and tax help for the rental

A cost counts when it is normal for renting and needed to do the work. Keep the bill, not just the bank line.

2. REPAIR OR IMPROVEMENT?

- A repair keeps the place in good shape. You fix a leak, patch a wall, or swap a broken part. You deduct it that year.
- An improvement makes the place better, brings it back to new, or fits it for a new use. A new roof, a new AC, a kitchen redone. That cost is spread over years instead.

This is the one small owners get wrong most. Write down what broke and what you did. That note settles it later.

3. THE BUILDING ITSELF (DEPRECIATION)

- The cost of the building is a deduction too. You take a piece of it each year for many years. Improvements work the same way. Land is not part of it.
- ☐ Keep the closing statement from when you bought the place
 - ☐ Keep the date it was first ready to rent
 - ☐ Keep the cost and date of each improvement

This is one of the largest rental deductions, and it rests on those papers.

Two habits that save hours

- Open one bank account just for the rental. All rent in, all costs out.
- Log each cost when it happens. Note the property, the date, and what it was for.

If you own more than one rental, keep the money and the papers apart for each one.

4. TRIPS TO THE PROPERTY

- ☐ Drives to show the unit, collect rent, or make repairs can count.
- ☐ Write down the date, where you went, why, and the miles.
- ☐ Only the rental part of a trip counts. A lunch with friends does not.
- ☐ For an overnight trip, keep the receipts and the reason.

Use the rate the IRS sets each year, or your real car costs.

5. SHORT STAYS: WHAT IS DIFFERENT

- ☐ Cleaning and turnover pay between guests
- ☐ Platform fees and host service fees
- ☐ Soap, paper goods, coffee, and other guest supplies
- ☐ Sheets, towels, and blankets
- ☐ Beds, TVs, and kitchen gear (keep each receipt and date)
- ☐ Internet, streaming, and smart locks
- ☐ Small repairs between stays

Your payout is often less than what the guest paid. Report the full amount the guest paid, then deduct the fees. Big items like furniture may be spread over years.

6. WHEN YOU USE THE PLACE YOURSELF

- Some owners stay at the rental, lend it to family, or rent it to a friend for less than the going rate. That personal use changes what you can deduct.
- You then split the costs between rental use and personal use. Days you go only to work on the place are counted a different way.

Keep a simple calendar. Note who was there, on what days, and why. The rules here are tight, so ask before you file.

7. PAPERS THAT COME TO YOU

- ☐ Form 1099-K from a booking site or a card processor
- ☐ Form 1098 for the interest you paid on the loan
- ☐ Statements from a property manager
- ☐ Your county property tax bill

Most small owners report rent on Schedule E. A place where you serve guests the way a hotel does may belong elsewhere. Ask first.

8. WHAT TO KEEP, AND FOR HOW LONG

- ☐ Keep your return and the records behind it at least three years after you file.
- ☐ Keep proof of what you paid for the place, and for each improvement, as long as you own it, plus three years after you sell.
- ☐ Keep leases, booking records, and a log of the rent you took in.
- ☐ Keep bills, receipts, and the bank or card statements that match.
- ☐ Take photos before and after any work.

Clear photos or scans are fine. Keep them in one place, and back them up.

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